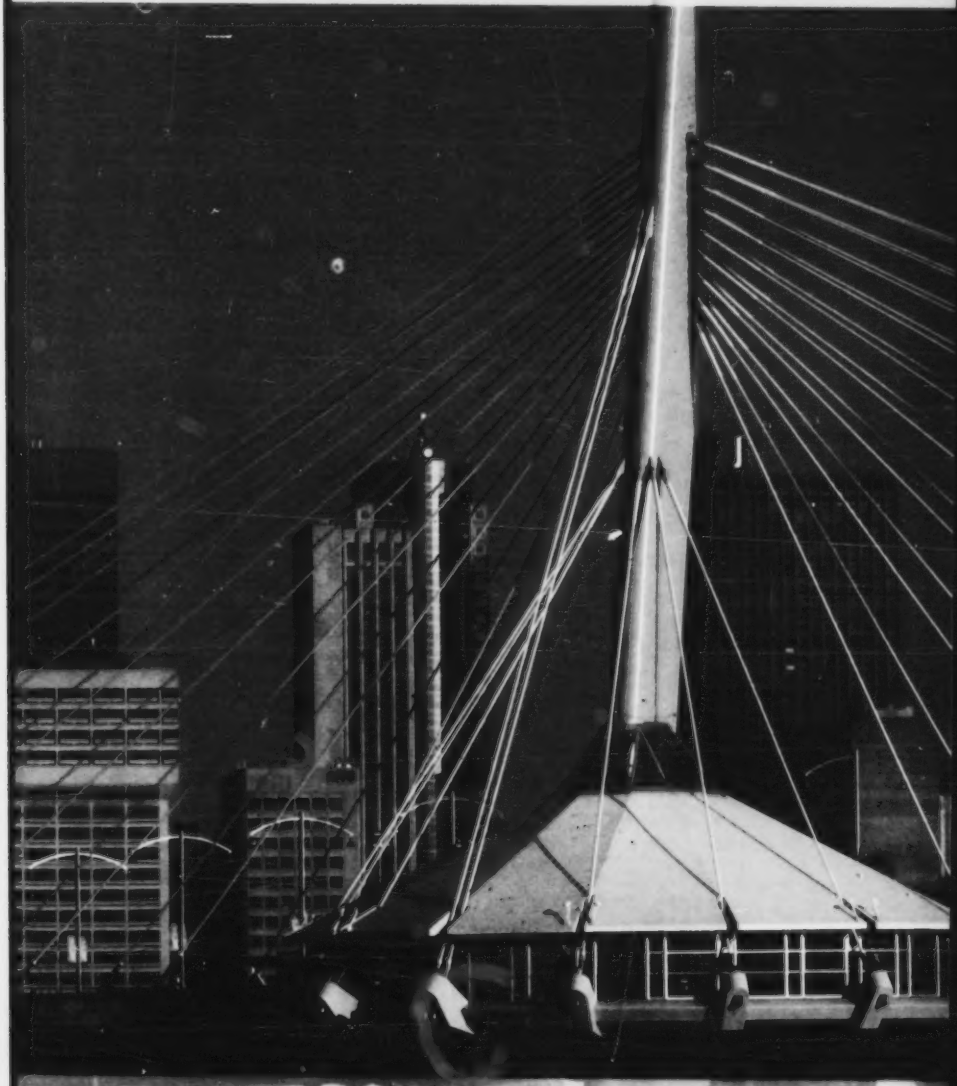
CSSB

The Civil Service Superannuation Board



2005 Annual Report

For more information...

You may make an appointment to view any of the following at The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- A copy of The Civil Service Superannuation Act (Act) and all amendments
- The Annual Information Return submitted each year to the Pension Commission of Manitoba
- A copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

For further member information, visit our website **www.cssb.mb.ca**

The Civil Service Superannuation Board

1200-444 St. Mary Avenue
Winnipeg MB R3C 3T1

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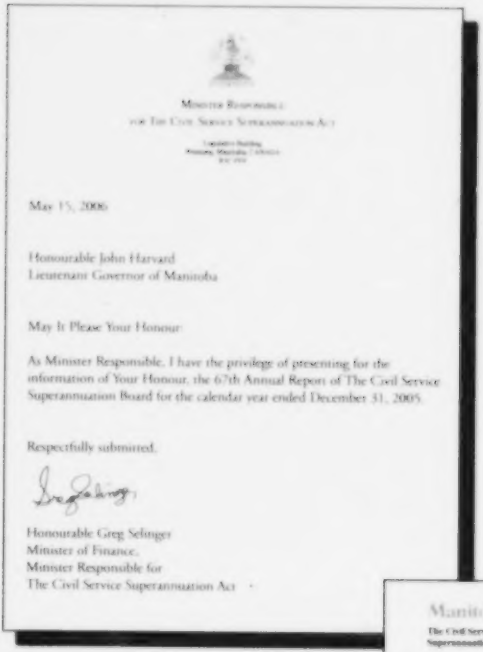


Minister Responsible
for The Civil Service Superannuation Act

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

May 15, 2006

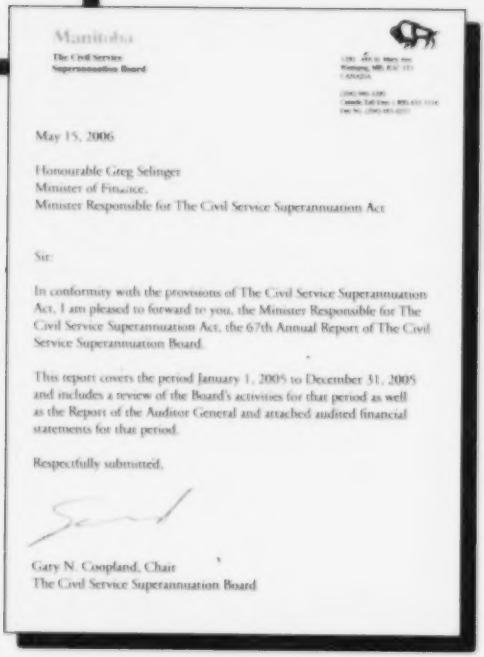
Honourable John Harvard
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 67th Annual Report of The Civil Service Superannuation Board for the calendar year ended December 31, 2005.

Respectfully submitted,

Honourable Greg Selinger
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act



Manitoba

The Civil Service
Superannuation Board

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Winnipeg, MB R3C 1T1
CANADA

[illegible]
Canada Toll Free: 1-800-[illegible]
Fax No. (204) 945-[illegible]

May 15, 2006

Honourable Greg Selinger
Minister of Finance,
Minister Responsible for The Civil Service Superannuation Act

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 67th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2005 to December 31, 2005 and includes a review of the Board's activities for that period as well as the Report of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

Gary N. Coopland, Chair
The Civil Service Superannuation Board

The Civil Service
Superannuation Board

Board Members and Management

The Civil Service Superannuation Board

Chair

Gary N. Coopland
Retired, Vice-President Investments
The Great-West Life Assurance Company

Employee Representatives

Ray Erb
Civil Service Representative
Staff Representative, Pensions & Benefits
Manitoba Government & General
Employees Union

Katherine Johnson
Civil Service Representative
(until 05/2005)*
Manitoba Finance

David Jurkowski
Civil Service Representative
(effective 05/2005)*
Manitoba Finance

Bill Loxton
Manitoba Hydro Representative
(until 12/31/2005)^
Employee Compensation & Benefits Department
Manitoba Hydro-Electric Board

Susan Rusk
Civil Service Representative
Intergovernmental Affairs and Trade

Employer Representatives

Tom Bleasdale
Retired
Assistant Deputy Minister of Labour

Gabriel Forest, f.c.a.
Chartered Accountant

Carmele Peter
Solicitor
Aikins, Macaulay & Thorvaldson

Dr. G. Les E. Ullyot
Family Physician
McPhillips Medical Group

* Katherine Johnson served on the Board until May 2005 at which time she was replaced by David Jurkowski.

^ Bill Loxton retired December 31, 2005 and was replaced by Brent Reed, effective January 1, 2006.

Management

Robert H. Coverntон, General Manager

Allen Borle, Director, Finance
Robert Derksen, Director, Communications and Client Services
Dean Lash, Director, Investment Communications & Management Services
Robert Riddell, Director, Management Information Systems
Bruce Schroeder, Assistant General Manager and Director, Client Services Administration

Lindsey Fuller, CFA, Chief Investment Officer
Ellement and Ellement, Consulting Actuary

Standing Committee Members

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

Chair
***Gary N. Coopland*^**
Retired, Vice-President Investments
The Great-West Life Assurance Company

Dick Archer*
Chair, I.G. Investment Management Ltd.

***Ewald Boschmann*^**
Deputy Minister of Finance, Province of Manitoba

***Robert H. Covernton*^**
General Manager, The Civil Service Superannuation Board

Charlie Curtis*
Retired, Deputy Minister of Finance, Province of Manitoba

***Ray Erb*^**
Civil Service Representative

Peter G. Munro*
Executive Vice-President, Chief Investment Officer,
The Great-West Life Assurance Company

Stan Susinski*
Retired, Chief Investment Officer, Alberta Finance

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

Vince Warden
Vice-President, Finance and Administration and CFO,
Manitoba Hydro-Electric Board

* Appointed based on investment expertise
^ Required by legislation

Finance and Audit Committee

Gabriel Forest, f.c.a. - Chair
Carmele Peter - Employer Representative
David Jurkowski - Employee Representative

Compensation Committee

Gary N. Coopland - Chair
Tom Bleasdale - Employer Representative
Bill Loxton - Employee Representative

The Civil Service Superannuation Board

The Board has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all Plan members and beneficiaries. It is also responsible to:

- Ensure that staff fulfill the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- Delegate the day-to-day management to the General Manager and staff
- Provide overall direction and approval of policy items

These duties are vested in four members that are elected by participating employees, and five members including a chair that are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to:

- Manage The Civil Service Superannuation Fund (Fund) in accordance with the rules of the Pension Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- Obtain an actuarial valuation every three years
- Regularly review its investment policy
- Obtain an independent audit each year
- Prepare an Annual Report

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of 53 staff members.

Your Pension Plan

Your Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. Being a defined benefit plan means that a fixed percentage of salary is contributed yearly by participating members. For these contributions, pension benefits are earned. While some employers presently match employee contributions, others are obligated to fund their share of benefits paid in the future.

The amount of pension a member will receive is not directly related to investment returns. Good investment returns are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

The Plan allows for retirement after age 55 assuming the member has at least ten years of qualifying service. Unless the person is age 60 or older, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive a pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

Highlights

		2005 (*)	2004 (*)
Financial	Rate of Return on Investments	14.50%	13.71%
	Investments at Market Value	3,384,202	2,946,144
	Net Investment Income	96,680	99,857
	Current Period Change in Fair Value of Investments	297,292	229,857
	Employee Contributions	90,885	77,755
	Employer Payments	100,715	89,725
	The Province of Manitoba Unfunded Pension Liability Trust Account	200,245	139,163
	Pension Benefits Paid	195,061	181,004
	Refunds and Transfers	18,306	12,930
	General Expenses - Net	1,552	1,358

* $Thousands unless otherwise noted

		2005	2004
Membership	Non-Retired Members	29,750	29,611
	Pensioners and Other Recipients	13,528	12,999
	Total Members	**43,278**	**42,610**

Other Plans Under Administration	Manitoba Telecom Services Inc.^	6,574	6,469
	Money Purchase Accounts Plan	1,485	1,302
	Centra Gas^	905	906
	Winnipeg Child and Family Services^	704	739
	MLA's^	119	120
	Total Membership (all Plans)	**53,065**	**52,146**

^ Active and Retired

Message from the Chair

Gary N. Coopland

Service relates to quality and accessibility. Delivering a professional and comprehensive benefits package is important to members whether at a convenient location in Winnipeg or elsewhere in Manitoba. The Board employs a complement of qualified staff to be responsive to your needs in a timely fashion, whether in person or over the Internet. Technology plays a key role in this delivery and the Board continues to be a leader in this field. You are now able to access your personal pension and insurance information at any time from the comfort and privacy of your home.

Commitment comes from providing members, their families and beneficiaries with a strong benefits program. The Board's ongoing support of staff education and keeping ahead of technological advancements assist them in meeting this goal. While your benefits may be a result of negotiations, the Board is committed to administering them with excellence.

Integrity is a key when communicating benefits information. The Board employs many internal and external checks and balances in its everyday work. Detailed reports are regularly written and provided to the Board and its Committees to ensure the ongoing timely communication of essential information.

You can rest assured that there is security in your benefits. *Security* can be influenced by investment income, the major contributor to the Fund. Without at least earning the required rate of return as set by an actuary, we could not provide the full level of benefits to you. The return of 14.50% earned in 2005 certainly provides that cushion to allow superior benefit levels. The long-term stability of the Fund is our ultimate goal and earning returns of this magnitude is extremely important and strengthens our commitment to the future. Therefore, the asset mix review completed in early 2005 provides guidelines for the Board's investment professionals in making their investment decisions to achieve these long-term goals.

Investment decisions are also made with diversification in mind. While the Board encourages investment in Manitoba, it does so only with "all things being equal." Their focus is on one objective – providing a stable benefits program and this may or may not include investments in this province. However, having 18% of the real estate holdings invested in Manitoba does show that the Board is confident in investment right here at home. Furthermore, through the participation in local investment funds managed by experienced partners, the Board takes part in supporting local business usually through mezzanine financing but only after lengthy periods of due diligence.

The Board is committed to maintaining a positive, professional work environment that will continue to attract and retain highly qualified staff. Investment in its human resources enhances the Board's position as a leader in the pension, benefits and investment industry. Competency comes from the retention, education and investment in people. Once again, I'd like to congratulate the staff for another impressive year of delivering a comprehensive benefits program to our members.

Message from the General Manager

Robert H. Covernton

The Board is a highly respected organization that administers a variety of benefits programs for more than 43,000 stakeholders. Key goals of its day-to-day administration are – *service* quality and accessibility; *commitment* to providing a benefit to members, their families and beneficiaries; employing processes that ensure the *integrity* of information being communicated; and *security* of benefits.

These objectives cannot be met without dedicated and qualified staff members. The Board provides strong support for their professional development and recognizes the value earned by participating in networking opportunities. In a dynamic administrative and investment industry, keeping abreast of recent developments either through the Internet, face-to-face meetings or in a classroom setting is vital to providing the highest level of benefits services. To that end, many of the Board staff have secondary certifications or degrees and oftentimes membership with professional organizations.

Results do not only come in the form of a quality benefits program. When you employ and retain skilled and seasoned professionals to make investment decisions within acceptable pre-approved guidelines, there can be promising outcomes. Active management of assets this year earned the Fund 14.50%. Compared to a benchmark return of 12.39%, this resulted in a value added amount of $63 million ($408 million over the last 5 years). Appropriate asset mix decisions along with solid returns from the Board's oil and gas company and real estate portfolio have helped to add to a surplus that can be used either to enhance benefits in the future or to provide a buffer during the times when investment returns do not meet the Actuary's expectations.

Over the past year the Board has seen further improvements in governance, respecting the monitoring and reporting of the assets under its administration. By virtue of The Civil Service Superannuation Act, the Board can delegate decision making to certain committees. Whether a Board or committee member, or investment staff member, each of these individuals are bound by policies that cover situations of conflict of interest or professional conduct. These policies are reviewed and amended, if necessary, and are required to be acknowledged and signed each year. This is just one way the Board addresses prudent management of Fund assets.

Technology continues to play an integral role in extending information to our members in a very timely manner, whether it's with a visit to the Board office or from the comfort of your own home 24 hours a day, 7 days a week. Active members and pensioners continue to access online pension estimates and other services in record numbers, as evidenced by the fact that they have tripled in the past four years to more than 72,000 enquiries. These online services, which include the receipt of monthly pension statements by more than 200 registered pension recipients, will be further enhanced in 2006 with the implementation of the Board's new website. Management Information Systems continue to be responsive to these types of advancements as well as to a dynamic pension and benefits industry in general. Whether it's changes in the calculations for commuted value factors, the electronic transmission of data with new vendors, or developing new programs to manage changes to existing plans, their mandate is to meet the needs of both members and the administration.

Service, *Commitment*, *Integrity*, and *Security* underlie the Board's commitment to its stakeholders. A team of highly skilled and dedicated members work together to deliver this quality service to you. I would like to thank the members of the Board and every staff member for their impressive dedication to providing quality service and leadership in the pension and benefits industry.

Investments

Guidelines and Practices

Policies and Procedures

The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision-making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into effect and is monitored for compliance. The SIP&P includes such things as appropriate asset mix limits, investment grade quality, holding limits, investment objectives, valuation procedures and investment management structure.

On April 1, 2005, a new SIP&P was implemented. Amendments were subsequently made to accommodate the removal of the 30% Foreign Content ceiling in the Federal Budget.

Asset mix is the single most important factor determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions.

Long-term Success of Investment Policy

The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members. An Actuarial Valuation on the Fund, which is conducted every three years, is the best way to measure this obligation. With the exception seen in 2002, the Fund's five-year moving rate of return has exceeded actuarial requirements consistently over the past 30 years. Even in 2002 when the Fund's rate of return may have been below required levels, it was one of the best performing pension funds in Canada. The chart below displays how well Fund performance has met its test.

Governance

An independent accounting firm conducted its second CFA Institute Verification of the Board's performance measurement practices. Once again, the Board received an unqualified opinion that its methodology used for calculating Fund rates of return was being performed in accordance with CFA Institute Standards. The Board will be engaged in another review in April 2006.

The Board and its Investment Committee regularly receive compliance-related information. For the first time in 2005, this detailed investment information was contained within the Board's Quarterly Report on Investments. This all-encompassing booklet is prepared by an independent department of investment and accounting professionals and assists the Board in meeting their fiduciary responsibilities. Furthermore, the Board regularly oversees decisions being made at the Investment and Finance and Audit Committee levels through the receipt of the minutes of each meeting.

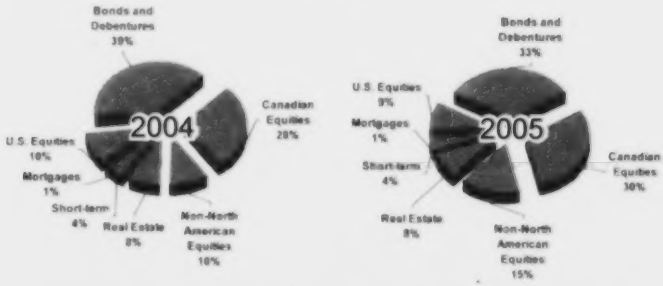
In the Board's ongoing effort to keep on top of best practices in the investment industry, they initiated:

- presentations from investment custodian banks and software vendors
- annual on-site meetings and discussions with peers and vendors from across Canada
- staff attendance at events where education and networking opportunities are prevalent
- the research of peer websites
- the participation in various local and national investment associations

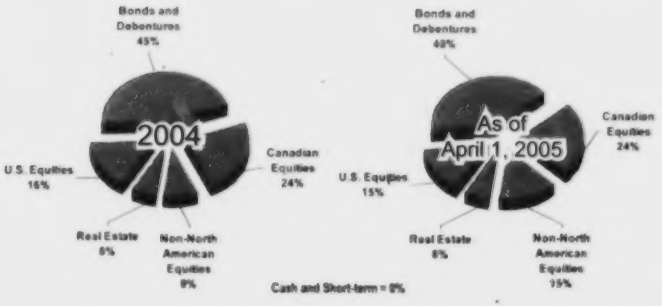
Policies and procedures that continue to guide investment decisions include:

- Proxy Voting Policy and Guidelines
- Investment Manager Mandates
- Statement of Investment Policies and Procedures
- Soft Dollar Standards
- Conflict of Interest and Standard of Conduct Guidelines
- Professional Conduct Policy

Fund Investments



Investment Policy



Contractual Investments

- Continued to underweight the bond portion of the Fund
- Overweighted cash reserves

Equity Investments

- Continued to underweight U.S. equities
- Exposure to emerging markets
- Continued to overweight Canadian equities, particularly oil and gas, through the Board's private operating company, Superman Resources Inc.
- Overweighted real estate

Active day-to-day management of investments earned the Fund an additional $63 million over neutral Policy expectations.

The year proved to be a better year than the last for generating returns. Short-term rates were steadily raised by the U.S. Federal Reserve Bank, but this did not have the expected similar effect on longer-term rates as plentiful excess world liquidity flowed into the relatively large U.S. debt markets. The rising rates were, however, a factor in lackluster U.S. equity returns. Contrary to many expectations, the U.S. dollar appreciated almost 10%, which further depressed U.S. multinational companies' profits. Commodities were again a major story, with oil and gas being significant factors. Oil, as measured by West Texas Intermediate Crude Oil Prices, moved from $41 to $70 U.S. per barrel before closing the year at $62. Continued unrest in several of the world's exporting countries, coupled with the destructive effects of two major hurricanes causing havoc with both production and refining centres in the U.S., were behind this strength.

On the positive side of the ledger, significant political reform in Japan resulted in brighter economic prospects for the world's second largest economy, which was reflected in strong equity returns. The weakening Euro also provided some stimulus to European economic growth and this too was reflected in better equity market returns. Aside from the U.S., there is ample positive liquidity in the world seeking returns. Emerging markets were a major beneficiary of this situation.

For another year, all asset classes that the Fund invests in experienced positive returns. Driven by stellar Canadian equity and real estate markets, the Fund benchmark, or expected return was 12.39%, well above the actuarial requirements. Through a positive contribution from asset mix, emerging equity markets, Superman Resources Inc. and real estate, active management added a further 2.11% for a Total Fund return of 14.50%. This translates into approximately $63 million of added value ($408 million over the last five years). For the second year running, Superman Resources Inc., which is approximately 5% of the Fund, produced the highest return at 65.94%. The real estate portfolio experienced its best year ever, returning 25.24%. Canadian equities, led by oil and gas and other commodities, produced a return of 25.84%. The global emerging markets portfolio, initiated in 2003, generated a 33.17% return, far in excess of EAFE's 10.69%. Bond returns at 7.86% and U.S. equities at 2.01% were the relative laggards.

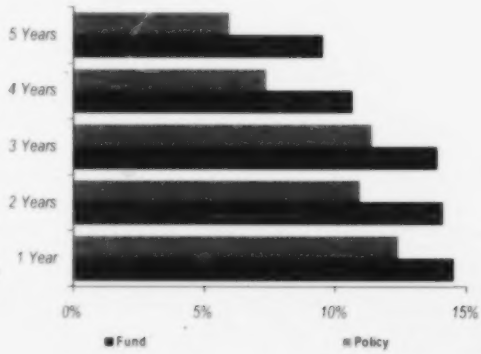
Performance

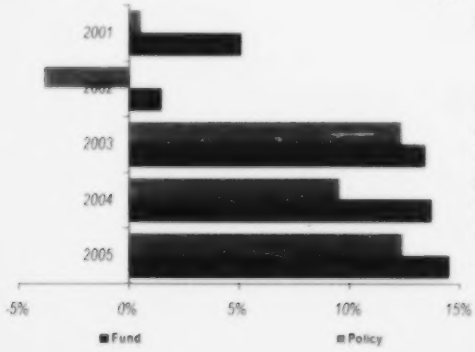
Calculation Methodology

The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the CFA Institute and have been audited by Deloitte & Touche LLP.

Total Fund

Over the past decade, Fund returns have never exceeded the 14.50% earned during the year. This increased the moving average five-year return to 9.52%, far superior to its policy, or expected return of 5.97%, and higher than the actuarial requirement of 6.50%. The graph on the right illustrates the outperformance of the annualized return over the Fund policy over the past five years. The graph below shows each individual year's outperformance.

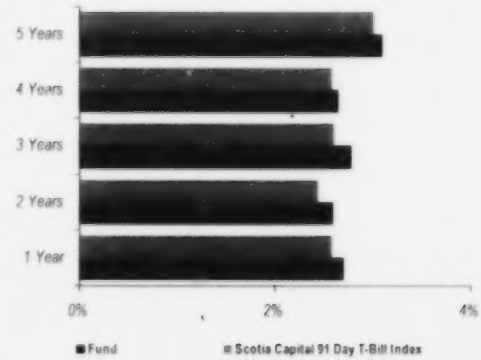




During the year, performance was a result of an overweight towards Canadian equities and real estate, exposure towards emerging markets, an underweight towards bonds and U.S. equities, and above average security selection. The performance of the Board's oil and gas company added exceptional returns.

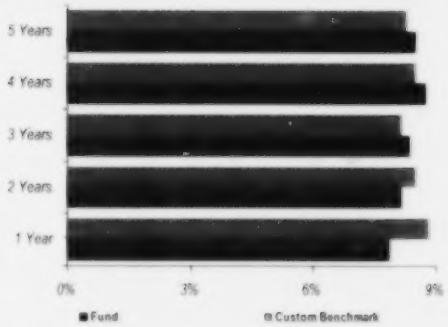
Cash and Short-term

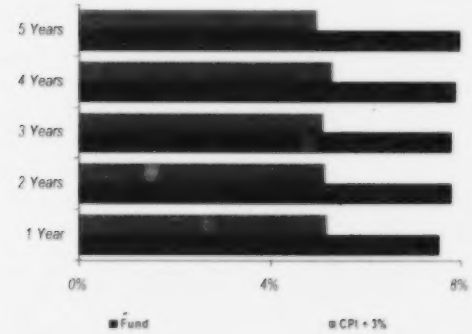
The money market portion of the Fund generated a return of 2.70%, which resulted in a 12 basis points (bps) outperformance over the Scotia Capital 91 Day T-Bill Index.



Bonds and Debentures

Canadian long-term interest rates fell during the year as foreign investors actively acquired Canadian bonds to benefit not only from falling U.S. long-term rates, but also to benefit from a strongly appreciating Canadian dollar. We underestimated the effect of capital flows into both Canadian and U.S. bonds in the face of steadily rising short-term rates. This resulted in bonds underperforming the index, returning 7.86% versus 8.82%.



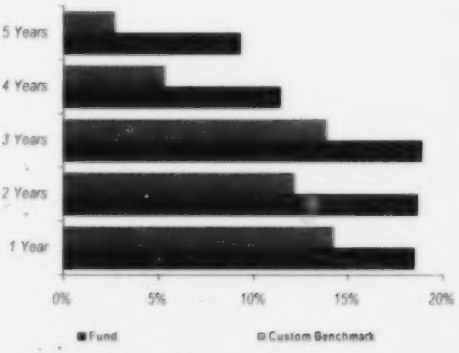


Real Return

Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 7.54% in 2005 compared to its benchmark of 5.20%.

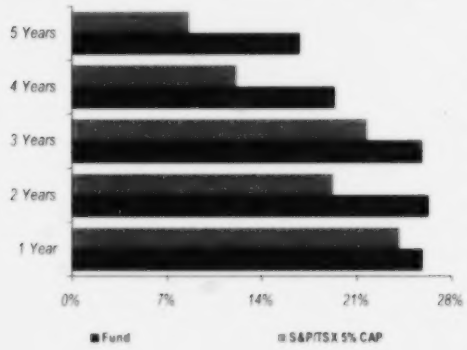
Total Equity

The indices used to measure the performance of the Fund's stock portfolio are Canada's S&P/TSX 5% Capped Index (S&P/TSX 5% Cap), the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index for Europe, Australia and Far East (MSCI EAFE). Based on the Fund's SIP&P, an assumed equity mix of 24% Canadian, 15% U.S. and 15% EAFE countries (prior to April 1, 2005 - 24% Canadian, 16% U.S. and 9% EAFE) for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 44% Canadian, 28% U.S. and 28% EAFE countries. This is referred to as the benchmark for total equities.



For the first time in many years, our internal managers failed to add value over their respective benchmarks. Canadian equities underperformed, returning 20.55% versus the 24.19% benchmark, and U.S. equities underperformed, returning 0.68% versus the 2.29% benchmark. On the positive side, both external managers, Galileo 25.73% versus 24.19% and KBSH 4.01% versus 2.29%, outperformed their respective benchmarks.

On the international equity front, we began an internally managed International portfolio on April 1st. Over nine months until the end of the year, this portfolio beat the EAFE benchmark returning 10.13% versus 9.80%. One of the EAFE managers had a poor year, generating 4.29% versus the 10.69% benchmark. The other manager added 177 bps of value, returning 12.46%. The Fund's exposure to emerging markets produced significant dividends this year. The Asian portfolio and global portfolios generated returns of 16.10% and 33.17% respectively.

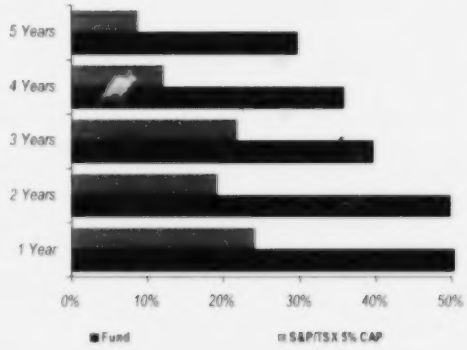


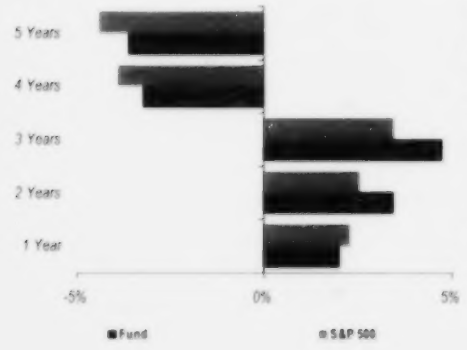
Canadian Equity

The Board's oil and gas company, Superman Resources Inc., returned in excess of 65% during the year. This result, coupled with the outperformance of the Board's Smallcap manager, brought the total Canadian equities return above its index. However, the internally managed Canadian equity team didn't fare as well, evidenced by a loss of 364 bps versus the S&P/TSX 5% Capped Index.

Private Equity

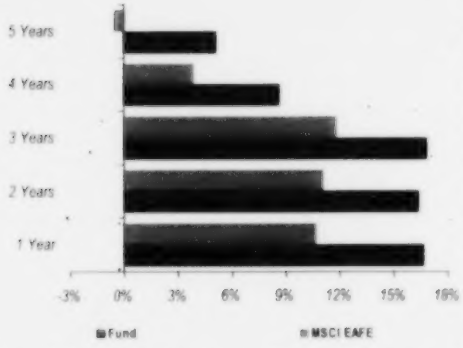
Superman Resources Inc. generated another outstanding return of 65.94% on the back of strong underlying commodity prices and good exploration results. We will continue to explore and develop the properties we own while looking for selective dispositions of our fully exploited properties. We have participated in two private equity funds, one focused on Manitoba-based investments and the other with a Manitoba-based investment team. Both funds have been successful in originating a strong flow of investments over the year.





U.S. Equity

The Fund underperformed the S&P 500 slightly. The gains made by the Board's external U.S. equity manager were negated by the performance of the overweight internally managed U.S. equity pool. KBSH returned results in excess of median managers, effectively bringing total U.S. equities into well in excess of the 75th percentile range.

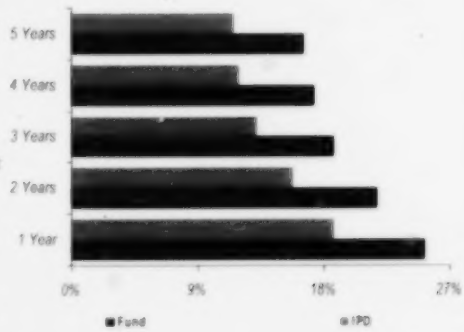


Non-North American Equity

Non-North American equities far exceeded the MSCI EAFE index of 10.69%. The combined return of 16.70% was largely due to the presence in the emerging markets. The Board's external manager, Lloyd George Management, returned more than 33% in this market. The Asian Emerging markets portfolio also did well returning 16.10%. The somewhat new internally managed International pool of i-Shares, while relatively small in the Fund, outperformed EAFE in the nine months since its inception. Pyrford International plc, one of the EAFE managers, had a negative impact on the total Non-North American equity return. The returns of the equally weighted Marathon, however, were well in excess of the median managers.

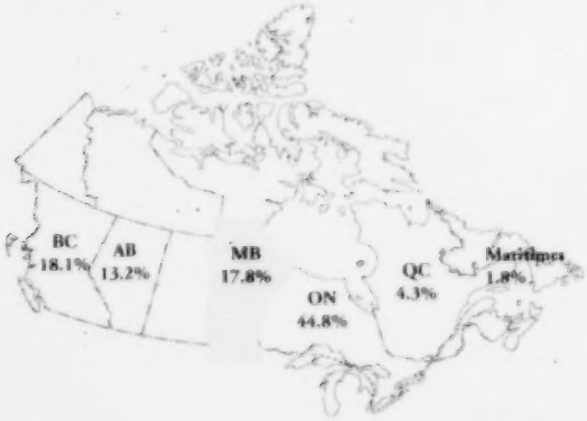
Real Estate

2005 saw the strongest returns for real estate we have ever experienced, returning 25.24% versus an 18.71% benchmark. Generally, capitalization rates fell in sympathy with long-term interest rates. This, coupled with an increased demand for real estate as an asset class, drove values significantly higher. Our portfolio also benefited from very positive returns from several development projects.



The portfolio continues to be diversified by property type and location with investments from coast to coast. Manitoba investments represent nearly 18% of portfolio assets and include several major properties such as Pembina Crossing Shopping Centre, Crossroads Station Shopping Centre, the office tower located at 155 Carlton Street in downtown Winnipeg, and more recently, the buildings at 175 and 185 Carlton Street.

Distribution by Geographic Location



We expect the world economy will become more balanced, with the U.S. slowing down somewhat and Japan, Europe and Asia showing increased growth.

The main driver of a moderation in U.S. growth should be housing activity driven by affordability issues. Affordability for first time home buyers, a necessary condition for strong housing prices, has dropped to historically very low levels over the past year. This weakness should work its way through to house prices fairly quickly, which is already showing up in moderating prices.

Aside from the overall economic impact of slowing volumes of home construction and the associated spin offs for furniture, appliances and decorating, the biggest impact should be on the "wealth effect" of several years of rising home equity. Home equity withdrawals for consumption, refinancing balance sheets, or a multitude of other purposes, has been a factor in the strong economic growth of the U.S. over the past few years. If home price appreciation moderates and flattens out as we expect, then the slowing effect on GDP will be noticeable, as was the case when Australian and UK home prices went through the same housing cycle over the past year and a half.

A recent additional factor is a tightening of mortgage standards for high ratio and adjustable rate mortgages. This slowing in economic activity should allow the U.S. Federal Reserve to ease up on monetary tightening and perhaps lead to a reduction in short-term interest rates over the next few quarters.

Aside from the U.S., monetary growth is positive for global liquidity in most of the rest of the major economies, including China. This increasing global liquidity should continue to provide a solid underpinning for financial markets, both equities and fixed income. Emerging markets, with strong profit growth and generally improving balance sheets, should continue to outperform. While a number of these markets have seen strong price appreciation over the past six months, which increases the risk of a pullback in prices, they are generally well supported by earnings growth and positive economic fundamentals at the country level.

Where could things go wrong? Political uncertainty is always present. There has been a noticeable swing to the left in a number of Latin and South American countries, coupled with varying degrees of anti-establishment rhetoric. This could override good economic fundamentals leading to a withdrawal or slowdown of fund flows to the affected markets.

The Middle East continues to be an area of turmoil and uncertainty, most recently emanating from Iran and the oil producing states of the Gulf. Russia's dispute with the Ukraine over natural gas prices and the temporary stoppage of flows to the Ukraine, which is the main conduit to Western Europe, increase uncertainty in this region as well as growth prospects for continental Europe.

The international flow of funds could change patterns unexpectedly. Asia, particularly Japan, Taiwan and South Korea, were the beneficiaries of very strong inflows of foreign capital during the second half of 2005. There are early signs that this may be moderating and will likely have an effect on the financial markets in these countries. More recently, Thailand has attracted strong flows leading to a noticeable improvement in the Thai market.

In summary, we continue to analyze these developing conditions with a view to realigning the portfolios to take advantage of anticipated changes. Currently, we are continuing to emphasize emerging markets and Canadian equities and beginning to increase our U.S. equity exposure as values present themselves. We expect longer-term interest rates to trend sideways for the foreseeable future. We have committed to a real estate development in Tokyo where we expect to earn superior returns to those currently available in Canadian markets.

Diversification, Growth and Stability

Fund Investments

	2005 (*)	2004 (*)
Contractual Investments		
Cash and Short-term	**122,564**	107,080
Bonds and Debentures	**1,103,049**	1,135,038
Mortgages	**35,358**	36,893
Equity Investments		
Canadian Equities	**1,020,382**	825,070
U.S. Equities	**321,325**	313,971
Non-North American Equities	**494,143**	299,292
Real Estate	**287,381**	228,800
Total Investments	**3,384,202**	2,946,144

* $Thousands

Membership

Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

1. Individual Meetings

Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Laptop computers and the Internet allow for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Pre-Retirement Planning Seminars

The pre-retirement planning seminar program is a one-day session designed for employees who are beginning to plan for retirement. They are presented in major centres throughout Manitoba for groups of 15 to 50 people, and members are encouraged to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board, although the presentation and course materials also include information on Federal benefits, estate planning, use of leisure time, and health considerations.

3. Employee Pension and Insurance Seminars

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the Government and its related boards, commissions, and agencies, and last for two to three hours.

4. Personal and General Inquiries

Board staff are available to answer questions by way of phone and written communication.

5. Electronic Communications

The Board has a website and online services, allowing members to view general information and obtain detailed personalized information at their convenience.

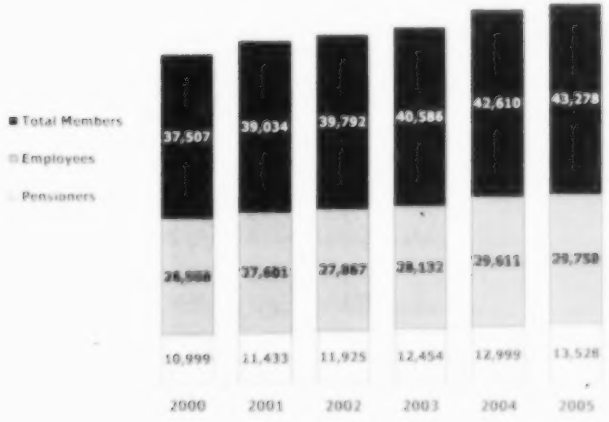
Highly qualified staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

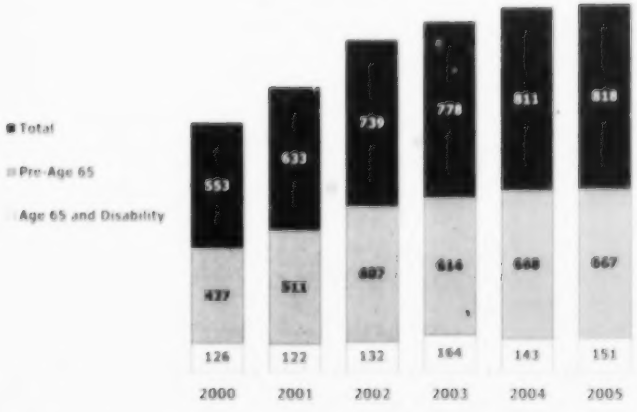
Members/Retirements

- Total members increased by 668 to 43,278 during 2005
- Employees/former employees participating in the Fund increased by 139 to 29,750
- Pensioners/beneficiaries increased by 529 to 13,528

Total Members



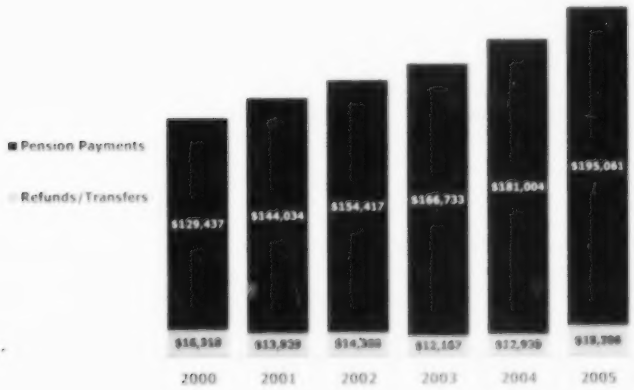
Retirements



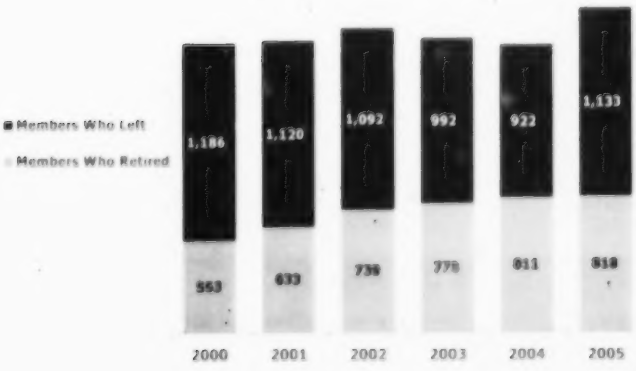
Paying Your Benefits

- 13,528 pensioners/beneficiaries were receiving pension benefits at the end of 2005
- $195.1 million was paid in pensions during 2005

Payments from the Fund (Thousands)



Former Contributors



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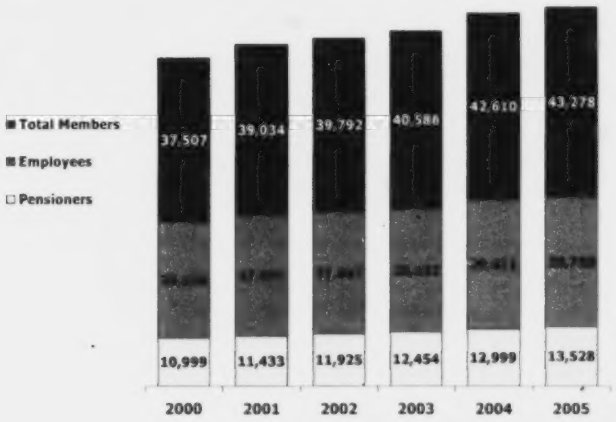

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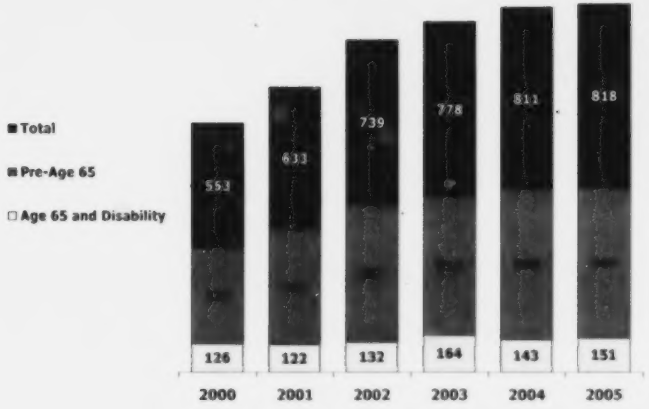

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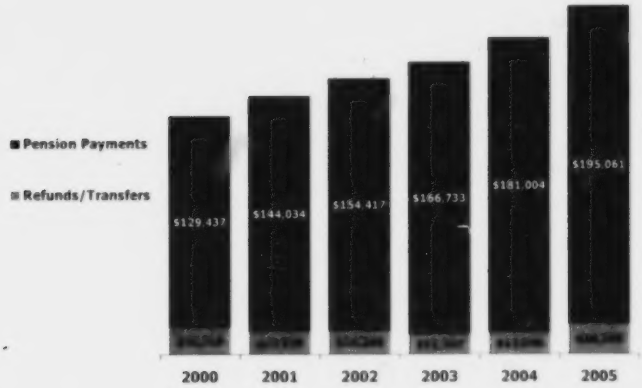

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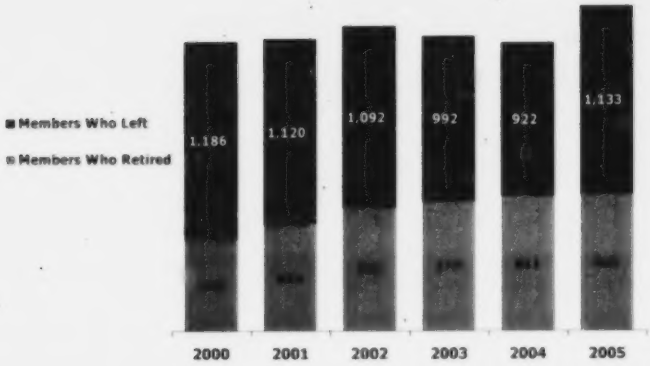


Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2005 was as follows:

Non-Matching Employers	Males	Females	Total
Province of Manitoba Civil Service	6,861	7,437	14,298
Manitoba Hydro-Electric Board	3,886	1,286	5,172
Manitoba Public Insurance	765	926	1,691
Red River College	498	572	1,070
Liquor Control Commission	298	256	554
Assiniboine Community College	126	182	308
Addictions Foundation of Manitoba	79	190	269
University College of The North	100	133	233
The Legal Aid Services Society of Manitoba	45	85	130
Manitoba Agricultural Credit Corporation	27	31	58
Manitoba Centennial Centre Corporation	39	15	54
Teachers' Retirement Allowances Fund Board	12	21	33
Communities Economic Development Fund	11	6	17
The Council on Post-Secondary Education	1	8	9
Manitoba Horse Racing Commission	2	2	4
Diagnostic Services of Manitoba	2	-	2
Regional Health Authorities			
Brandon	62	184	246
Winnipeg	20	219	239
Central	21	94	115
Assiniboine	10	92	102
Interlake	9	74	83
Parkland	16	62	78
Nor-Man	1	29	30
South Eastman	3	26	29
North Eastman	2	26	28
Burntwood	1	15	16
Total Non-Matching	**12,897**	**11,971**	**24,868**

Matching Employers	Males	Females	Total
Manitoba Lotteries Corporation	549	476	1,025
Manitoba Housing Authority	177	129	306
Manitoba Crop Insurance Corporation	166	75	241
Manitoba Government and General Employees Union	29	38	67
The Civil Service Superannuation Board	25	28	53
Gaming Control Commission	25	23	48
Travel Manitoba	9	24	33
Dairy Farmers of Manitoba	8	16	24
Food Development Centre	9	15	24
Industrial Technology Centre	15	7	22
Manitoba Floodway Authority	10	11	21
Manitoba Pork Marketing Co-op Inc.	11	9	20
Manitoba Pork Council	5	7	12
Manitoba Film and Sound	2	8	10
Manitoba Arts Council	-	5	5
Crown Corporations Council	2	3	5
Manitoba Chicken Producers	1	3	4
Manitoba Turkey Producers' Marketing Board	-	3	3
Manitoba Hazardous Waste Management Corporation	1	-	1
Total Matching	**1,044**	**880**	**1,924**

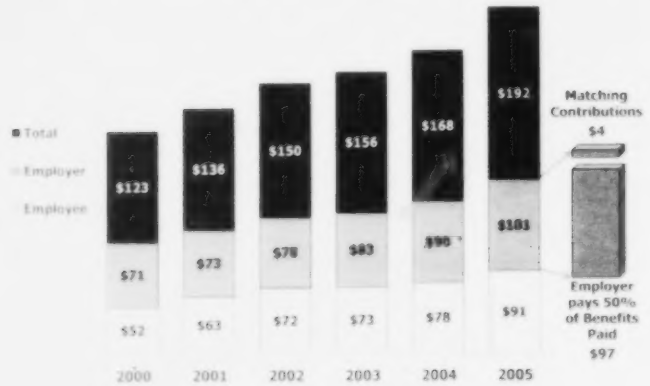
Other	Males	Females	Total
Deferred Pension Accounts	1,178	1,414	2,592
L.T.D. Recipients	63	136	199
Manitoba Reciprocal Agreements	102	65	167
Total Other	**1,343**	**1,615**	**2,958**

Total (Non-Matching, Matching, Other)	**15,284**	**14,466**	**29,750**

Employee Contributions/Employer Payments

- Employees contributed $90.9 million to the Fund compared to $77.8 million in 2004
- Employers paid $100.7 million to the Fund compared to $89.7 million in 2004
- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

CONTRIBUTIONS AND PAYMENTS (MILLIONS)



Employees and Employers share the cost of the plan. Each year employees contribute the following:

- 6% on earnings up to Canada Pension Plan maximum earnings ($41,100 in 2005)
- 7% in excess of that amount

Employer payments include:

- Approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- Payments made by matching employers

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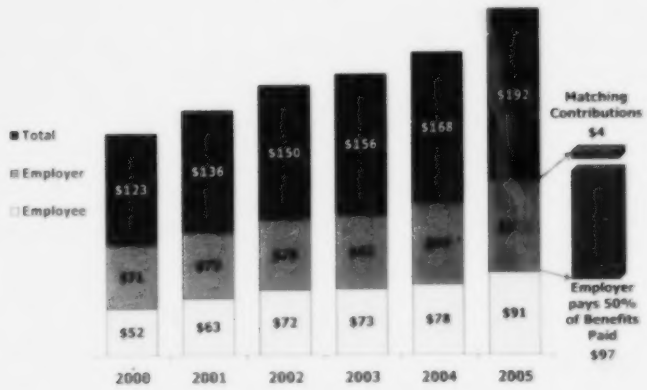

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Cost-of-Living Allowance

- 10.2% of employee contributions and matching employer payments go to a separate indexing account to fund cost-of-living increases (COLA)
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2005 was 1.41%

Cost-of-Living Account

It costs more to be a consumer today. Whether it's filling up the tank for a weekend getaway or paying more for goods and services as interest rates creep upwards, solid investment returns and a strong COLA Program may provide a source of comfort for members as they approach their retirement years.

In 2003, the Board's Actuary reported on the status of the COLA Program. Following a discussion, the Board directed the General Manager and the Actuary to jointly write a letter to the Employer Advisory Committee and the Employee Liaison Committee expressing concerns about the viability of the Program. The letter indicated that without changes to the current COLA Program, sustainable indexing may not be possible over the next 10 years.

The Board has been advised that the Employer Advisory Committee and the Employee Liaison Committee have had discussions concerning the transfer of existing surplus to the COLA Program.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- Investment income
- Employee contributions
- Employer payments

These assets are used to finance the payment of the Fund's portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. **Basic Benefits Account**
   - Finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)
2. **Indexing Benefits Account**
   - Has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
   - 10.2% of employee contributions and matching employer payments are credited annually to this account

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to ⅔ of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2005 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	2,687,512	See Note Below	
Indexing Benefits Account	173,066		
Total	**2,860,578**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (including future benefits)	2,599,645	2,131,353	4,730,998
Indexing Benefits Account	124,340	118,783	243,123
Total	**2,723,985**	**2,250,136**	**4,974,121**
3. Actuarial Position/Funds Available			
Basic Benefits Account	87,867	See Note Below	
Indexing Benefits Account (funds available to finance future adjustments)	48,726		
Total	**136,593**		

* $Thousands

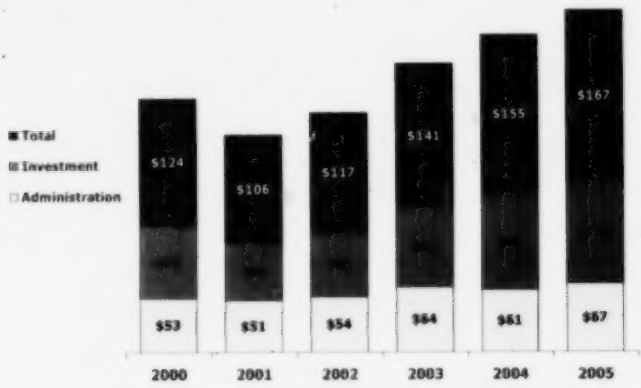
Refer to Notes 5 and 6 of the Audited Financial Statements for additional information.

Note: The non-matching employer's portion of the pension liability is unfunded for most employers. Refer to Schedule 2 of the Audited Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans. The total annual cost per member for 2005 was $167 consisting of $67 for administration and $100 for investment related expenses.

Annual Cost Per Member



Rising investment costs are mainly due to higher transaction costs in Non-North American markets. Investing in markets outside of North America costs more, however, the benefit in the form of good expected returns and diversification oftentimes outweigh the higher expense. For example, the removal of the Foreign Content Limit in the 2005 Federal Budget allowed the Board to place more money into international markets where emerging markets alone earned returns in excess of 33%.

Another factor of the increase in investment costs was the strong returns from Fund investments. Fees paid to money managers are based on the performance of the investments in the portfolio. Therefore, if the Fund is doing well, market values increase and fees paid will correspondingly rise.

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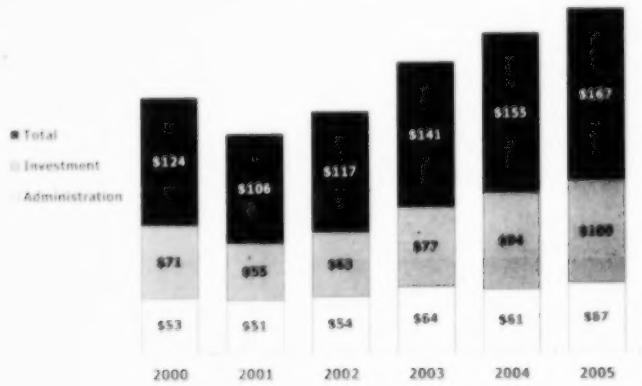

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Six-Year Comparative Statistics

		2000 (*)	2001 (*)	2002 (*)	2003 (*)	2004 (*)	**2005 (*)**
Investments	Rate of Return	9.76%	5.12%	1.47%	13.44%	13.71%	**14.50%**
	Market Value	2,140,549	2,240,470	2,300,348	2,625,553	2,946,144	**3,384,202**
Contributions and Payments	Employee Contributions	52,250	63,601	71,526	72,744	77,755	**90,885**
	Employer Payments	70,693	72,642	77,794	83,080	89,725	**100,715**
	Total	**122,943**	**136,243**	**149,320**	**155,824**	**167,480**	**191,600**
Payments from the Fund	Pension Benefits Paid	129,437	144,034	154,417	166,733	181,004	**195,061**
	Refunds and Transfers	16,310	13,829	14,358	12,167	12,930	**18,306**
Expenses	Administrative	1,973	1,803	2,127	2,588	2,600	**2,888**
	Investment	2,664	2,164	2,490	3,142	4,019	**4,312**

* $Thousands unless otherwise noted

		2000	2001	2002	2003	2004	**2005**
Membership	Non-Retired Members	26,508	27,601	27,867	28,132	29,611	**29,750**
	Pensioners and Other Recipients	10,999	11,433	11,925	12,454	12,999	**13,528**
	Total Members	**37,507**	**39,034**	**39,792**	**40,586**	**42,610**	**43,278**
	Refunded/ Transferred Members	1,186	1,120	1,092	992	922	**1,133**
	Retirements	553	633	739	778	811	**818**

Financial Information

Management Report

The accompanying financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to March 10, 2006.

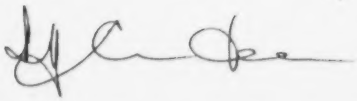
The firm of Ellement and Ellement has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

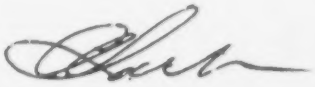
Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,



Robert H. Covernton
General Manager



Allen Borle
Director, Finance

Report of the Office of the Auditor General on The Civil Service Superannuation Fund

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba and
To the Members of the Civil Service Superannuation Plan

We have audited the statement of net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2005 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
March 10, 2006

Jon W. Singleton, CA•CISA
Auditor General

Statement of Net Assets Available for Benefits

as at December 31, 2005

($) Thousands	2005	2004
Assets		
Investments, Schedule 1, Note 3(b)	$3,384,202	$2,946,144
Equipment	235	44
Prepaid expenses	231	221
Debt due from the Province of Manitoba, Note 8	1,826	1,826
Receivables	6,700	1,499
Accrued dividends and interest	16,875	16,570
Total assets	**$3,410,069**	$2,966,304
Liabilities		
Accounts payable and accrued liabilities	$5,539	$2,007
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 12	200,245	139,163
Correctional Officers' Trust Account, Note 9	3,474	3,040
Employer Trust Accounts, Note 10	45,547	39,438
Money Purchase Accounts Plan, Note 11	12,856	10,403
Total liabilities	**$267,661**	$194,051
Net assets available for benefits, Exhibit B	**$3,142,408**	$2,772,253

Chairperson of the Board

Chairperson, Finance and Audit Committee

Statement of Changes in Net Assets Available for Benefits

for the Year Ended December 31, 2005

($) Thousands	2005 Basic Benefits Account	2005 Indexing Benefits Account	2005 **Total**	2004 Total
Increase in assets				
Contributions, Schedule 2, Note 1(b)				
Employees	$82,831	$8,054	**$90,885**	$77,755
Employers	100,313	402	**100,715**	89,725
Total contributions	183,144	8,456	**191,600**	167,480
Net investment income, Schedule 3	72,768	23,912	**96,680**	99,857
Current period change in fair value of investments	297,292	-	**297,292**	229,857
Other	74	-	**74**	75
Total increase in assets	**$553,278**	**$32,368**	**$585,646**	$497,269
Decrease in assets				
Pension benefits paid	$181,138	$13,923	**$195,061**	$181,004
Refunds and transfers	18,306	-	**18,306**	12,930
Administrative expenses, net, Note 13	1,552	-	**1,552**	1,358
Transfer to employer trust accounts	572	-	**572**	566
Total decrease in assets	**201,568**	**13,923**	**215,491**	195,858
Increase in net assets	**$351,710**	**$18,445**	**$370,155**	$301,411
Net assets available for benefits at beginning of year	$2,597,604	$174,649	**$2,772,253**	$2,470,842
Increase in net assets	351,710	18,445	**370,155**	301,411
Net assets available for benefits at end of year, Exhibit A	**$2,949,314**	**$193,094**	**$3,142,408**	$2,772,253

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the "Plan") is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the "Act").

(a) General

The Civil Service Superannuation Board (the "Board") and the Civil Service Superannuation Fund (the "Fund") were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, non-matching employers are not billed for the cost of the pension formula improvement implemented in 2000. Matching employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 5 is unfunded.

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation
The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.

(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions
On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) Retirement
A member with ten or more years of qualifying service is eligible to retire at age 55.

A member with one or more years of qualifying service is eligible to retire at age 65.

All members must commence pension benefits no later than the last day of the calendar year in which the member attains 69 years of age.

Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

(f) Disability Pensions
A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor's Benefits
A survivor's benefit is payable to a spouse or eligible survivor(s) of a member who dies with two or more years of qualifying service.

(h) Death Refunds
A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds
Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members with two or more years of qualifying service may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes
The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan
The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

2. Change in Accounting Policy

On January 1, 2005, the Board decided to change its asset capitalization policy to be any computer equipment, software and software development projects valued over $15, from $1. The effect of the change in accounting policy results in an additional $10 charged to operations in 2005.

3. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation
The financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles. They are prepared to assist participants and others in reviewing the financial activities for the fiscal year.

(b) Investments
Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income
(i) Short-term investments are valued at cost, which approximates market and short term equivalents are valued at market by independent sources.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity
(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.

(ii) Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.

(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(v) The Fund has subsidiaries, which are not consolidated but are included in the Summary of Investments, Schedule 1. Included in real estate shares are shares of fifteen subsidiaries whose value in aggregate totals $183,776. Included in petroleum and natural gas shares are shares of one subsidiary valued at $168,189.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the current period change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(e) Equipment

Computer equipment costing less than $15 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

4. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation and to obtain the best possible return at acceptable risk, the Board established an investment asset mix policy of 40% fixed income (2004 - 45%) and 60% equity (2004 - 55%).

The term to maturity and related market values of fixed income investments are as follows:

Term to Maturity	**2005**	2004
Less than one year	**$150,318**	$119,743
One to five years	**384,271**	409,827
Over five years	**726,382**	749,441
Total fixed income investments	**$1,260,971**	$1,279,011

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. For example, 95% of bonds and debentures must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2005 external fund managers had entered into no forward foreign exchange contracts (2004 - $26,980) on behalf of the Fund.

5. Obligations for Pension Benefits

(a) Obligation for pension benefits

(i) Basic Benefits Account
In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

The triennial Actuarial Valuation Report on the Fund was completed as at December 31, 2004 by Ellement and Ellement, consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2005. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

	Basic Benefits Account			
	Fund 2005	Non-Matching Employers 2005	Total 2005	Total 2004
Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year	**$2,280,291**	**$1,806,633**	**$4,086,924**	$3,871,759
Experience loss	39,579	101,703	**141,282**	
Benefits accrued	101,531	83,520	**185,051**	137,453
Benefits paid	(99,703)	(88,921)	**(188,624)**	(181,539)
Interest on accrued benefits	150,850	123,866	**274,716**	259,856
Change in actuarial reserves	74,176	61,018	**135,194**	(605)
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	**$2,546,724**	**$2,087,819**	**$4,634,543**	$4,086,924

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. Non-matching employers are not billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report and the estimate at December 31, 2005 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in the triennial actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

Significant long-term actuarial assumptions used in the December 31, 2004 Valuation and in the determination of the present value of the accrued basic pension benefit obligations were:

Annual rate of return

(i)	inflation component	2.50%
(ii)	real rate of return	4.00%
		6.50%

Annual salary escalation rates

(i) general increases

a)	inflation component	2.50%
b)	productivity component	0.75%
		3.25%

(ii) service, merit and promotional increases *

* the rates used vary by age groupings from a high of 3.0% to a low of 0%

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2004. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2005 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.00%.

Indexing Benefits Account

	Fund 2005	Non-Matching Employers 2005	Total 2005	Total 2004
Actuarial present value of accrued indexing pension benefit obligations, beginning of year	**$118,749**	**$113,032**	**$231,781**	$223,923
Experience loss/(gain)	119	(1,162)	**(1,043)**	-
Cost-of-living accrual effective July 1	10,802	10,166	**20,968**	18,941
Benefits paid	(13,923)	(11,392)	**(25,315)**	(25,298)
Interest on accrued benefits	7,362	6,980	**14,342**	14,389
Change in actuarial reserves	1,231	1,159	**2,390**	(174)
Actuarial present value of accrued indexing pension benefit obligations, end of year	**$124,340**	**$118,783**	**$243,123**	$231,781

(b) Fund's Asset Valuation

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

The actuarial asset values used in the estimate of the Fund's pension obligations were:

	Basic Benefits 2005	Indexing Benefits 2005	Total 2005	Total 2004
Net assets available for benefits, Exhibit B	$2,949,314	$193,094	**$3,142,408**	$2,772,253
Amount reserved for future indexing benefits	(165,949)	(14,235)	**(180,184)**	(18,387)
Adjustment for the actuarial value of assets	(95,853)	(5,793)	**(101,646)**	(172,591)
Actuarial value of net assets available for benefits	**$2,687,512**	**$173,066**	**$2,860,578**	**$2,581,275**

The above $165,949 reflects a reserve for the scheduled transfer of the 2004 Basic Benefits surplus, with interest, to the Indexing Benefits Account, subject to legislative approval.

6. Additional Actuarial Information

(a) Total Actuarial Pension Liabilities For The Basic Benefits Account

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2005 have been estimated based on service to date and net future service as follows:

	Fund 2005	Non-Matching Employers 2005	Total 2005	Total 2004
Service to date, Note 5	$2,546,724	$2,087,819	**$4,634,543**	$4,086,924
Net future service	52,921	43,534	**96,455**	178,916
Total actuarial pension liabilities	**$2,599,645**	**$2,131,353**	**$4,730,998**	**$4,265,840**

(b) Basic Benefits Actuarial Position (Fund Only)

The Fund had an estimated going concern actuarial surplus of $87,867 as at December 31, 2005 (2004 Accounting estimate – $30,242) in the Basic Benefits Account, after including pension benefit obligations for service to date and for future service actuarial liabilities.

(c) Indexing Benefits Actuarial Surplus (Fund Only)

The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be $48,726 as at December 31, 2005 (2004 Accounting estimate - $25,612).

7. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund pension obligations.

8. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

9. Correctional Officers' Trust Account

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater.

10. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account.

11. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board.

12. The Province of Manitoba Unfunded Pension Liability Trust Account

The Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act came into effect on August 18, 2000. This Act requires the Province of Manitoba (the "Province") to establish a fund and to make payments to the established fund.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that are related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

13. Administrative Expenses

	2005	2004
Salaries and fringe benefits	$3,134	$2,704
Professional fees	147	166
Office and administration	927	895
	4,208	**3,765**
Less: recoveries from other administered funds		
regular administration	(1,239)	(1,165)
one-time administrative recovery	(81)	-
Fund administrative expenses	2,888	2,600
Less: recoveries from non-matching employers	(1,336)	(1,242)
Administrative expenses, net	**$1,552**	**$1,358**

14. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

	2005	2004
The Manitoba Hydro Pension Fund	**$694,837**	$605,586
Joint Board of Trustees of The Municipal Employees Benefits Program	**398,289**	352,441
The Public Service Group Insurance Fund	**124,888**	129,519
Centra Gas Manitoba Inc.	**65,883**	58,077
Workers Compensation Board of Manitoba	**70,635**	65,710
Winnipeg Child and Family Services Employee Benefits Retirement Plan	**41,413**	33,853
	$1,395,945	**$1,245,186**

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

Schedule 1 - *The Civil Service Superannuation Fund*

Summary of Investments

as at December 31, 2005

($) Thousands	2005	2004
Fixed income investments		
Cash and Short-term		
Government and corporations	$122,564	$107,080
Bonds and debentures		
Pooled fund	1,103,049	1,135,038
Mortgages		
National Housing Act (Canada)	2,568	2,788
Other	2,385	2,800
Index-linked	30,405	31,305
Total fixed income investments	**1,260,971**	**1,279,011**
Equity investments		
Pooled funds		
Domestic	829,369	724,876
Foreign	815,468	613,263
Real estate		
Participating bonds	79,162	74,515
Shares, Note 3(b)(v)	208,219	154,285
Petroleum and natural gas shares, Note 3(b)(v)	168,189	90,093
Venture capital	22,824	10,101
Total equity investments	**2,123,231**	**1,667,133**
Investments, Exhibit A	**$3,384,202**	**$2,946,144**

Schedule of Contributions

for the Year Ended December 31, 2005

	2005			2004
($) Thousands	Employers	Employees	Total	Total
Non-Matching Employers, Note 1 (b)				
Province of Manitoba Civil Service	$67,598	$40,066	$107,664	$101,097
Manitoba Hydro-Electric Board	23,514	18,438	41,952	39,595
Manitoba Public Insurance Corporation	2,500	4,865	7,365	6,349
Liquor Control Commission	2,264	1,206	3,470	3,372
Red River College	23	3,125	3,148	3,081
Addictions Foundation of Manitoba	594	673	1,267	1,180
Community Colleges				
Assiniboine Community College	-	880	880	873
University College of the North	-	742	742	713
Regional Health Authorities				
Winnipeg	-	928	928	758
Brandon	-	818	818	808
Central	-	372	372	381
Assiniboine	-	343	343	323
Interlake	-	309	309	271
Parkland	-	295	295	252
South Eastman	-	116	116	106
North Eastman	-	108	108	104
Nor-Man	-	95	95	96
Burntwood	-	52	52	46
The Legal Aid Services Society of Manitoba	177	509	686	515
Manitoba Agricultural Credit Corporation	272	173	445	367
Manitoba Centennial Centre Corporation	258	117	375	350
Teachers' Retirement Allowances Fund Board	87	104	191	233
Communities Economic Development Fund	35	59	94	93
The Council on Post Secondary Education	47	34	81	129
Manitoba Horse Racing Commission	14	11	25	23
Workers Compensation Board	14	-	14	32
Total Non-Matching Employers	**$97,397**	**$74,438**	**$171,835**	**$161,147**

Schedule of Contributions

For The Year Ended December 31, 2005

		2005		2004
($) Thousands	Employers	Employees	Total	Total
Total Non-Matching Employers, continued	**$97,397**	**$74,438**	**$171,835**	$161,147
Matching Employers, Note 1 (b)				
Manitoba Lotteries Corporation	2,007	2,301	4,308	1,006
Manitoba Housing Authority	530	609	1,139	1,121
Manitoba Crop Insurance Corporation	404	475	879	792
Manitoba Government and General Employees Union	202	230	432	470
Civil Service Superannuation Board	209	227	436	392
Gaming Control Commission	111	127	238	91
Travel Manitoba	72	80	152	-
Industrial Technology Centre	70	78	148	141
Manitoba Floodway Authority	75	70	145	-
Manitoba Milk Producers	54	64	118	113
National Agri-Food Technology Centre	54	62	116	109
Manitoba Pork Marketing Co-Op Inc.	45	49	94	109
Manitoba Pork Council	34	41	75	80
Manitoba Film and Sound	27	29	56	34
Crown Corporations Council	22	24	46	44
Manitoba Arts Council	14	16	30	30
Manitoba Chicken Producers	14	15	29	26
Manitoba Turkey Producers' Marketing Board	5	6	11	11
Manitoba Hazardous Waste Management Corporation	5	5	10	9
Manitoba Public Insurance Corporation - Driver Vehicle Licensing	1	3	4	-
Total Matching Employers	**3,955**	**4,511**	**8,466**	4,578
Other				
Employees on loan	4	4	8	2
Employees on workers compensation	-	5	5	3
Reciprocal agreement - transfers in	-	3,183	3,183	1,953
Reciprocal agreement - transfers out	(643)	(782)	(1,425)	(3,811)
Repayment of contributions previously refunded	-	89	89	61
Contributions based on prior non-pensionable employment	2	9,086	9,088	2,911
Transfer from Money Purchase Accounts Plan	-	351	351	636
Total Other	**(637)**	**11,936**	**11,299**	1,755
Total contributions, Exhibit B	**$100,715**	**$90,885**	**$191,600**	$167,480

Schedule of Investment Income

For The Year Ended December 31, 2005

($) Thousands	2005	2004
Fixed income		
Short term	$3,485	$2,752
Bonds and debentures	52,653	59,374
Mortgages	2,574	2,900
Total fixed income	**58,712**	**65,026**
Equity income		
Pooled funds	41,236	31,256
Real estate	15,010	15,805
Petroleum and natural gas shares	17,661	14,598
Venture capital	2	-
Total equity income	**73,909**	**61,659**
Gross investment income	**132,621**	**126,685**
Less:		
Investment management expenses, net, Note 14	4,312	4,019
Transfer to Province of Manitoba unfunded pension liability trust account	24,177	16,701
Transfer to Correctional Officers' trust account	365	348
Transfer to Employer trust accounts	5,670	4,636
Transfer to Money Purchase Plan accounts	1,355	1,085
Transfer to Employee future benefits obligations	62	39
	35,941	**26,828**
Net investment income, Exhibit B	**$96,680**	**$99,857**

Notes

Notes

The Civil Service Superannuation Board (CSSB), 2006.

The Civil Service Superannuation Board
1200-444 St. Mary Avenue
Winnipeg MB R3C 3T1
Phone: 204-946-3200 Fax: 204-945-0237

The Civil Service Superannuation Board
2005 Report to Members

We are pleased to provide you with this summary of The Civil Service Superannuation Board's (Board) 2005 Annual Report. You can also request a copy of the full Annual Report by contacting the Board office, or it can be viewed on our website at www.cssb.mb.ca.

Highlights

Financial	**2005 (*)**	2004 (*)
Rate of Return on Investments	**14.50%**	13.71%
Investments at Market Value	**3,384,202**	2,946,144
Net Investment Income	**96,680**	99,857
Current Period Change in Fair Value of Investments	**297,292**	229,857
Employee Contributions	**90,885**	77,755
Employer Payments	**100,715**	89,725
Pension Benefits Paid	**195,061**	181,004
Refunds and Transfers	**18,306**	12,930

* $Thousands unless otherwise noted

Membership		
Non-Retired Members	**29,750**	29,611
Pensioners and Other Recipients	**13,528**	12,999
Total Members	**43,278**	42,610

Member Services

The Board offers the following services to members and their families:

- Individual meetings
- Pre-Retirement Planning Seminars
- Employee Pension and Insurance Seminars
- Personal and General Enquiries
- Electronic Communications

You may make an appointment to view any of the following at the Board office:

- A copy of The Civil Service Superannuation Act (the Act) and all amendments
- The Annual Information Return submitted each year to the Pension Commission of Manitoba
- A copy of the latest Actuarial Valuation Report

Online Services

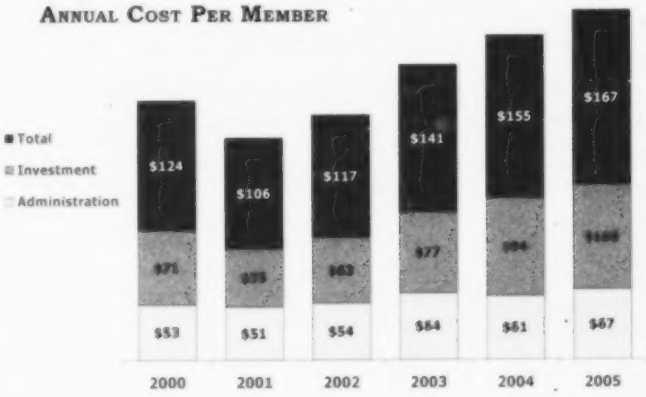
Members made over 72,000 pension estimates in 2005. That's tripled since the Online Pension Estimator's launch in 2002. As expected, our Online Services has proven to be very popular.

To register, print the Online Services Registration Form from our website, complete it and return it to our office.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans.

Annual Cost Per Member



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Message from the Chair — Gary N. Coopland

Service relates to quality and accessibility. Delivering a professional and comprehensive benefits package is important to members whether at a convenient location in Winnipeg or elsewhere in Manitoba. The Board employs a complement of qualified staff to be responsive to your needs in a timely fashion, whether in person or over the Internet. Technology plays a key role in this delivery and the Board continues to be a leader in this field. You are now able to access your personal pension and insurance information at any time from the comfort and privacy of your home.

Commitment comes from providing members, their families and beneficiaries with a strong benefits program. The Board's ongoing support of staff education and keeping ahead of technological advancements assist them in meeting this goal. While your benefits may be a result of negotiations, the Board is committed to administering them with excellence.

Integrity is a key when communicating benefits information. The Board employs many internal and external checks and balances in its everyday work. Detailed reports are regularly written and provided to the Board and its Committees to ensure the ongoing timely communication of essential information.

You can rest assured that there is security in your benefits. *Security* can be influenced by investment income, the major contributor to the Fund. Without at least earning the required rate of return as set by an actuary, we could not provide the full level of benefits to you. The return of 14.50% earned in 2005 certainly provides that cushion to allow superior benefit levels. The long-term stability of the Fund is our ultimate goal and earning returns of this magnitude is extremely important and strengthens our commitment to the future. Therefore, the asset mix review completed in early 2005 provides guidelines for the Board's investment professionals in making their investment decisions to achieve these long-term goals.

Investment decisions are also made with diversification in mind. While the Board encourages investment in Manitoba, it does so only with "all things being equal." Their focus is on one objective – providing a stable benefits program and this may or may not include investments in this province. However, having 18% of the real estate holdings invested in Manitoba does show that the Board is confident in investment right here at home. Furthermore, through the participation in local investment funds managed by experienced partners, the Board takes part in supporting local business usually through mezzanine financing but only after lengthy periods of due diligence.

The Board is committed to maintaining a positive, professional work environment that will continue to attract and retain highly qualified staff. Investment in its human resources enhances the Board's position as a leader in the pension, benefits and investment industry. Competency comes from the retention, education and investment in people. Once again, I'd like to congratulate the staff for another impressive year of delivering a comprehensive benefits program to our members.

Message from the General Manager — Robert H. Covernton

The Board is a highly respected organization that administers a variety of benefits programs for more than 43,000 stakeholders. Key goals of its day-to-day administration are – *service* quality and accessibility; *commitment* to providing a benefit to members, their families and beneficiaries; employing processes that ensure the *integrity* of information being communicated; and *security* of benefits.

These objectives cannot be met without dedicated and qualified staff members. The Board provides strong support for their professional development and recognizes the value earned by participating in networking opportunities. In a dynamic administrative and investment industry, keeping abreast of recent developments either through the Internet, face-to-face meetings or in a classroom setting is vital to providing the highest level of benefits services. To that end, many of the Board staff have secondary certifications or degrees and oftentimes membership with professional organizations.

Results do not only come in the form of a quality benefits program. When you employ and retain skilled and seasoned professionals to make investment decisions within acceptable pre-approved guidelines, there can be promising outcomes. Active management of assets this year earned the Fund 14.50%. Compared to a benchmark return of 12.39%, this resulted in a value added amount of $63 million ($408 million over the last 5 years). Appropriate asset mix decisions along with solid returns from the Board's oil and gas company and real estate portfolio have helped to add to a surplus that can be used either to enhance benefits in the future or to provide a buffer during the times when investment returns do not meet the Actuary's expectations.

Over the past year the Board has seen further improvements in governance, respecting the monitoring and reporting of the assets under its administration. By virtue of The Civil Service Superannuation Act, the Board can delegate decision making to certain committees. Whether a Board or committee member, or investment staff member, each of these individuals are bound by policies that cover situations of conflict of interest or professional conduct. These policies are reviewed and amended, if necessary, and are required to be acknowledged and signed each year. This is just one way the Board addresses prudent management of Fund assets.

Technology continues to play an integral role in extending information to our members in a very timely manner, whether it's with a visit to the Board office or from the comfort of your own home 24 hours a day, 7 days a week. Active members and pensioners continue to access online pension estimates and other services in record numbers, as evidenced by the fact that they have tripled in the past four years to more than 72,000 enquiries. These online services, which include the receipt of monthly pension statements by more than 200 registered pension recipients, will be further enhanced in 2006 with the implementation of the Board's new website. Management Information Systems continue to be responsive to these types of advancements as well as to a dynamic pension and benefits industry in general. Whether it's changes in the calculations for commuted value factors, the electronic transmission of data with new vendors, or developing new programs to manage changes to existing plans, their mandate is to meet the needs of both members and the administration.

Service, *Commitment*, *Integrity*, and *Security* underlie the Board's commitment to its stakeholders. A team of highly skilled and dedicated members work together to deliver this quality service to you. I would like to thank the members of the Board and every staff member for their impressive dedication to providing quality service and leadership in the pension and benefits industry.

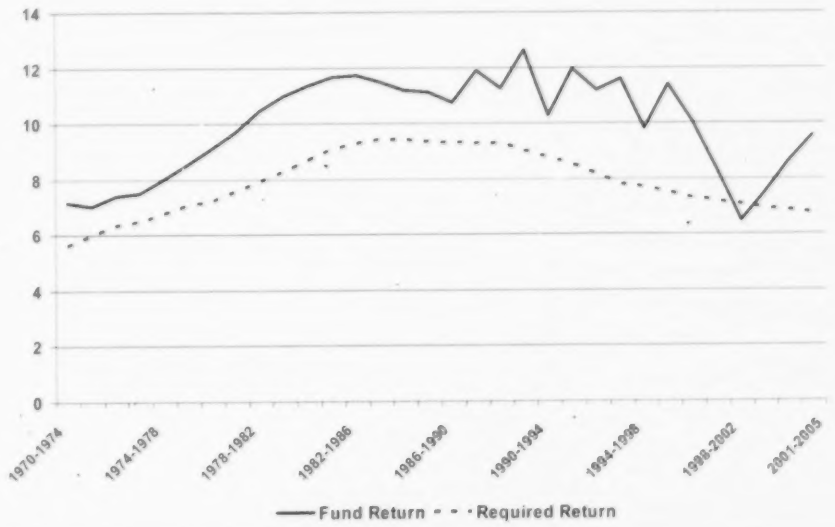
Investment Overview

The year proved to be a better year than the last for generating returns. Short-term rates were steadily raised by the U.S. Federal Reserve Bank, but this did not have the expected similar effect on longer-term rates as plentiful excess world liquidity flowed into the relatively large U.S. debt markets. The rising rates were, however, a factor in lackluster U.S. equity returns. Contrary to many expectations, the U.S. dollar appreciated almost 10%, which further depressed U.S. multinational companies' profits. Commodities were again a major story, with oil and gas being significant factors. Oil, as measured by West Texas Intermediate Crude Oil Prices, moved from $41 to $70 U.S. per barrel before closing the year at $62. Continued unrest in several of the world's exporting countries, coupled with the destructive effects of two major hurricanes causing havoc with both production and refining centres in the U.S., were behind this strength.

On the positive side of the ledger, significant political reform in Japan resulted in brighter economic prospects for the world's second largest economy, which was reflected in strong equity returns. The weakening Euro also provided some stimulus to European economic growth and this too was reflected in better equity market returns. Aside from the U.S., there is ample positive liquidity in the world seeking returns. Emerging markets were a major beneficiary of this situation.

For another year, all asset classes that the Fund invests in experienced positive returns. Driven by stellar Canadian equity and real estate markets, the Fund benchmark, or expected return was 12.39%, well above the actuarial requirements. Through a positive contribution from asset mix, emerging equity markets, Superman Resources Inc. and real estate, active management added a further 2.11% for a Total Fund return of 14.50%. This translates into approximately $63 million of added value ($408 million over the last five years). For the second year running, Superman Resources Inc., which is approximately 5% of the Fund, produced the highest return at 65.94%. The real estate portfolio experienced its best year ever, returning 25.24%. Canadian equities, led by oil and gas and other commodities, produced a return of 25.84%. The global emerging markets portfolio, initiated in 2003, generated a 33.17% return, far in excess of EAFE's 10.69%. Bond returns at 7.86% and U.S. equities at 2.01% were the relative laggards.

Five-Year Moving Average



Strategy and Outlook

We expect the world economy will become more balanced, with the U.S. slowing down somewhat and Japan, Europe and Asia showing increased growth.

The main driver of a moderation in U.S. growth should be housing activity driven by affordability issues. Affordability for first time home buyers, a necessary condition for strong housing prices, has dropped to historically very low levels over the past year. This weakness should work its way through to house prices fairly quickly, which is already showing up in moderating prices.

Aside from the overall economic impact of slowing volumes of home construction and the associated spin offs for furniture, appliances and decorating, the biggest impact should be on the "wealth effect" of several years of rising home equity. Home equity withdrawals for consumption, refinancing balance sheets, or a multitude of other purposes, has been a factor in the strong economic growth of the U.S. over the past few years. If home price appreciation moderates and flattens out as we expect, then the slowing effect on GDP will be noticeable, as was the case when Australian and UK home prices went through the same housing cycle over the past year and a half.

A recent additional factor is a tightening of mortgage standards for high ratio and adjustable rate mortgages. This slowing in economic activity should allow the U.S. Federal Reserve to ease up on monetary tightening and perhaps lead to a reduction in short-term interest rates over the next few quarters.

Aside from the U.S., monetary growth is positive for global liquidity in most of the rest of the major economies, including China. This increasing global liquidity should continue to provide a solid underpinning for financial markets, both equities and fixed income. Emerging markets, with strong profit growth and generally improving balance sheets, should continue to outperform. While a number of these markets have seen strong price appreciation over the past six months, which increases the risk of a pullback in prices, they are generally well supported by earnings growth and positive economic fundamentals at the country level.

Where could things go wrong? Political uncertainty is always present. There has been a noticeable swing to the left in a number of Latin and South American countries, coupled with varying degrees of anti-establishment rhetoric.

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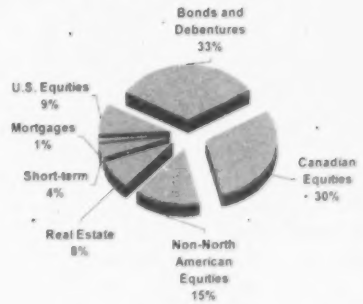
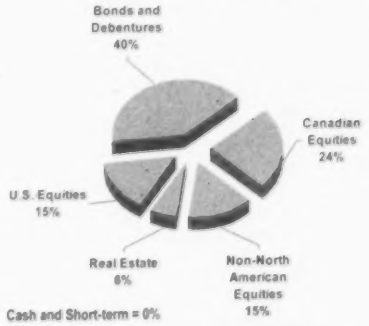
Fund Investments



Investment Policy as of April 1, 2005



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This could override good economic fundamentals leading to a withdrawal or slowdown of fund flows to the affected markets.

The Middle East continues to be an area of turmoil and uncertainty, most recently emanating from Iran and the oil producing states of the Gulf. Russia's dispute with the Ukraine over natural gas prices and the temporary stoppage of flows to the Ukraine, which is the main conduit to Western Europe, increase uncertainty in this region as well as growth prospects for continental Europe.

The international flow of funds could change patterns unexpectedly. Asia, particularly Japan, Taiwan and South Korea, were the beneficiaries of very strong inflows of foreign capital during the second half of 2005. There are early signs that this may be moderating and will likely have an effect on the financial markets in these countries. More recently, Thailand has attracted strong flows leading to a noticeable improvement in the Thai market.

In summary, we continue to analyze these developing conditions with a view to realigning the portfolios to take advantage of anticipated changes. Currently, we are continuing to emphasize emerging markets and Canadian equities and beginning to increase our U.S. equity exposure as values present themselves. We expect longer-term interest rates to trend sideways for the foreseeable future. We have committed to a real estate development in Tokyo where we expect to earn superior returns to those currently available in Canadian markets.

Cost-of-Living Account

It costs more to be a consumer today. Whether it's filling up the tank for a weekend getaway or paying more for goods and services as interest rates creep upwards, solid investment returns and a strong COLA Program may provide a source of comfort for members as they approach their retirement years.

In 2003, the Board's Actuary reported on the status of the COLA Program. Following a discussion, the Board directed the General Manager and the Actuary to jointly write a letter to the Employer Advisory Committee and the Employee Liaison Committee expressing concerns about the viability of the Program. The letter indicated that without changes to the current COLA Program, sustainable indexing may not be possible over the next 10 years.

The Board has been advised that the Employer Advisory Committee and the Employee Liaison Committee have had discussions concerning the transfer of existing surplus to the COLA Program.

Governance

An independent accounting firm conducted its second CFA Institute Verification of the Board's performance measurement practices. Once again, the Board received an unqualified opinion that its methodology used for calculating Fund rates of return was being performed in accordance with CFA Institute Standards. The Board will be engaged in another review in April 2006.

The Board and its Investment Committee regularly receive compliance-related information. For the first time in 2005, this detailed investment information was contained within the Board's Quarterly Report on Investments. This all-encompassing booklet is prepared by an independent department of investment and accounting professionals and assists the Board in meeting their fiduciary responsibilities. Furthermore, the Board regularly oversees decisions being made at the Investment and Finance and Audit Committee levels through the receipt of the minutes of each meeting.

In the Board's ongoing effort to keep on top of best practices in the investment industry, they initiated:

- presentations from investment custodian banks and software vendors
- annual on-site meetings and discussions with peers and vendors from across Canada
- staff attendance at events where education and networking opportunities are prevalent
- the research of peer websites
- the participation in various local and national investment associations

Policies and procedures that continue to guide investment decisions include:

- Proxy Voting Policy and Guidelines
- Investment Manager Mandates
- Statement of Investment Policies and Procedures
- Soft Dollar Standards
- Conflict of Interest and Standard of Conduct Guidelines
- Professional Conduct Policy

Committee Members

Board

Chair
Gary N. Coopland, Retired
Vice-President Investments
The Great-West Life Assurance Company

Employee Representatives
Ray Erb, Manitoba Government and General Employees Union
Katherine Johnson* (until 05/05), Manitoba Finance
David Jurkowski* (effective 05/05), Manitoba Finance
Bill Loxton , Manitoba Hydro-Electric Board
Susan Rusk, Intergovernmental Affairs and Trade

Employer Representatives
Tom Bleasdale, Retired, Assistant Deputy Minister of Labour
Gabriel Forest, f.c.a., Chartered Accountant
Carmele Peter, Solicitor
Dr. G. Les E. Ullyot, Family Physician

Finance and Audit

Gabriel Forest, f.c.a., Chair
Carmele Peter, Employer Representative
David Jurkowski, Employee Representative

Compensation

Gary N. Coopland, Chair
Tom Bleasdale, Employer Representative
Bill Loxton , Employee Representative

* Katherine Johnson served on the Board until May 2005 at which time she was replaced by David Jurkowski.
* Bill Loxton retired December 31, 2005 and was replaced by Brent Reed, effective January 1, 2006.

Investment

Gary N. Coopland, Chair*, Retired
Vice-President Investments
The Great-West Life Assurance Company

Dick Archer, Chair, I.G. Investment Management Ltd.*

Ewald Boschmann, Deputy Minister of Finance, Province of Manitoba^

Robert H. Covernton, General Manager, Board^

Charlie Curtis, Retired, Deputy Minister of Finance, Province of Manitoba*

Ray Erb, Manitoba Government and General Employees Union (employee representative)*

Peter G. Munro, Executive Vice-President, Chief Investment Officer, The Great-West Life Assurance Company*

Stan Susinski, Retired, Chief Investment Officer, Alberta Finance*

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

Vince Warden, Vice-President, Finance and Administration and CFO, Manitoba Hydro-Electric Board

* Appointed based on investment expertise
^ Required by legislation

THE CIVIL SERVICE SUPERANNUATION BOARD

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Winnipeg Manitoba R3C 3T1

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